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Crowdsourced Compensation Data: Do We Trust It?

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Disruption is Status Quo

Retail



Healthcare



Financial Services



Education



Media &
 Entertainment



Transportation



Manufacturing



Technology



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Jobs Are Changing and Emerging

Culinary Product Developer



Bioinformaticist



Crypto Protocol Engineer



Design Researcher



Experimentation Platform
Director



Automotive Occupant
Packaging Engineer



Computer Vision Engineer



Camera Algorithm Engineer



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Crowdsourcing Is a Way of Life

Angie's list

amazon.com

waze

tripadvisor

NETFLIX

facebook

Rotten
Tomatoes

WIKIPEDIA
The Free Encyclopedia

yelp

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Traditional Compensation Data Sources



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Alternative Data



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Polling Question #1

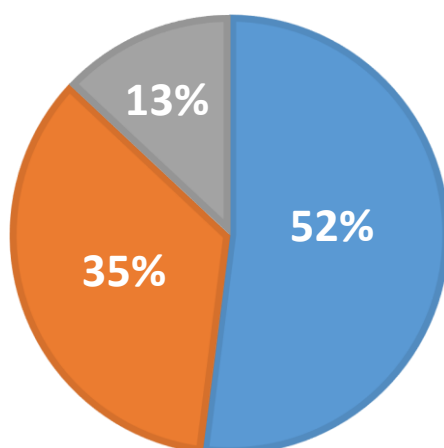
When Would You Use Employee-Reported Data?

- As a data-point in an overall market assessment
- As a data-point in pricing one job
- Not at all

[Click Here For Poll Results](#)

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When Would You Use Employee-Reported Data?



52% - Not at all
35% - As a data-point in overall market assessment
13% - As a data-point in pricing one job

Source: Salary.com 2017 Compensation Outlook Survey

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“There’s no good price for bad data.”

- 73% felt crowdsourced compensation data were unreliable

BUT

- 57% used crowdsourced data for additional context
- 48% used to examine labor costs
- 43% used for industry or geographic context
- 71% believe it can provide a data supplement

Source: 2017 Willis Towers Watson Contingent Workforce and Crowdsourced Pay Data survey

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Analyze This!

- Our knee-jerk reaction is to not trust compensation data from crowdsourced platforms. Why?
- Is the data better now than ever before?
- Why are we not adapting our compensation processes in the changing landscape of talent management as a whole?
- Do compensation data cuts matter?

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Compensation Philosophy

Fundamental Elements

- Base pay
- Variable pay
- Equity
- Sales
- Executive

Approach

- Match the market
 - 90% target 50th percentile
- Lead the market
- Lag the market

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Pay Transparency is Important



Source: Mercer 2017 Global Talent Trends Survey

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Pay Transparency

- Pay Equity
- Historical salary data increasingly banned in hiring
 - Alabama, California, Mississippi, Washington
- Internal & External benchmarking
 - “Crowdsource” internally
 - Share data sources and methodology
 - Engagement surveys
 - Exit interviews
- Train managers
- “No good deed goes unpunished”

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Extreme Pay Transparency



Name	Salary (or Dependents grant & Salary choice)	Buffer Role	Location	Buffer Benchmark			Exp Factor	3.0 Base (Benchmark x Exp)
				San Francisco Salary Mkt - 50th	Cost of Living Multiplier	Role Multiplier		
Founder								
Joel	\$265,315	CEO	High Col., New York, NY, USA	\$265,315	100	1	1	\$265,315
People								
Courtney	\$122,348	Director of People	Avg Col., Nashville, TN, USA	\$130,853	85	1.1	1	\$122,348
Nicole	\$99,498	People Engagement Manager	Avg Col., Portland, OR, USA	\$89,303	85	1	1.1	\$83,498
Finance & Ops								
Caryn	\$142,279	Director of Finance	Avg Col., San Luis Obispo, CA, USA	\$131,849	85	1.1	1	\$123,279
Jenny	\$112,556	Finance & Compliance Manager	Avg Col., Louisville, KY, USA	\$109,696	85	1	1.1	\$102,556
Stephanie	\$93,590	Operations Manager	Avg Col., Singapore	\$89,401	85	1	1.1	\$83,590
Marketing								
Alfred	\$86,753	Content Marketer	Avg Col., Singapore	\$71,382	85	1.1	1.15	\$76,753
Arielle	\$82,132	Community Strategist	Avg Col., Philadelphia, PA, USA	\$60,862	85	1.1	1.2	\$66,287
Ash	\$91,697	Content Marketer	Avg Col., Bury St Edmunds, UK	\$71,382	85	1.1	1.2	\$80,091
Bonnie	\$75,442	Community Champion	Avg Col., Nashville, TN, USA	\$60,862	85	1.1	1.15	\$65,442
Brian	\$93,473	Digital Strategist	Avg Col.,	\$75,309	85	1.1	1.15	\$80,976
Hailey	\$90,091	PR Specialist	Avg Col., Colorado Springs, CO, USA	\$71,382	85	1.1	1.2	\$80,091
Kevan	\$137,642	Director of Marketing	Avg Col., Boise, ID, USA	\$133,307	85	1.1	1	\$124,642
Mike E	\$85,481	Onboarding Specialist & Product Marketer	Avg Col., Sydney, Australia	\$75,309	85	1.1	1	\$77,455
Spencer	\$86,976	Full Stack Marketer	Avg Col., Aliso Viejo, CA, USA	\$75,309	85	1.1	1.15	\$80,976

<https://docs.google.com/spreadsheets/d/1l3bXAv8JE5R89siMq36-Ogngks2MT6yQ5gt8YXhUyAg/edit#gid=2089488141>

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Employees Are In The Driver's Seat

- Low unemployment
- Skill and labor shortage
- Increased focus on pay equity and diversity recruiting
- Job ads show salary estimates
 - Google dings postings without salary data for lower visibility

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“Here’s what you should be paying me...”

Marketing Manager
Flexis - Atlanta, GA
Posted 2 days ago · 351 views

[Save](#) [Easy Apply](#)

Job description
Brand integrity and customer focus are at the forefront of everything we do. We are looking for an ambitious and talented marketing professional with a track record of exceptional innovation in brand management. In this role, you will partner with the sales and marketing teams to optimize brand strategy, drive market share, and deliver customer results. You will have opportunity to partner with internal stakeholders to develop policies and campaigns that shape our company's product portfolio. In this role, you will be responsible for market research, oversight of marketing operational policies and systems, as well as reporting for a subset of the product portfolio.

Contact the job poster
Josh Deapoli
Director of Human Resources
[Send InMail](#)

Seniority Level
Seniority Level
Senior

Estimated salary · 210 responses · [Beta](#)
For Marketing Manager at Flexis in Greater Atlanta Area

Base salary	Total compensation
\$88,000/yr. Range: \$75K to \$95K	\$105,000/yr. Range: \$75K to \$95K

[See more salary insights](#)

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Source: [LinkedIn.com/salary](https://www.linkedin.com/salary)

Polling Question #2

How often does your organization adjust its compensation structure using market data?

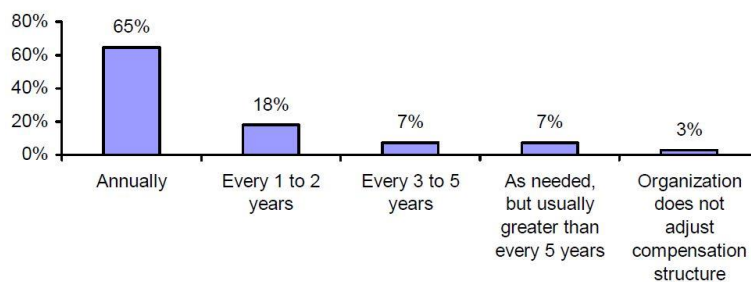
- Annually
- Every 1 – 2 years
- Every 3 – 5 years
- As needed, but usually greater than every 5 years
- Does not adjust

[Click Here For Poll Results](#)

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How often does your organization adjust its compensation structure using market data?

“How often does your organization adjust its compensation structure using market data?”
(n=138)

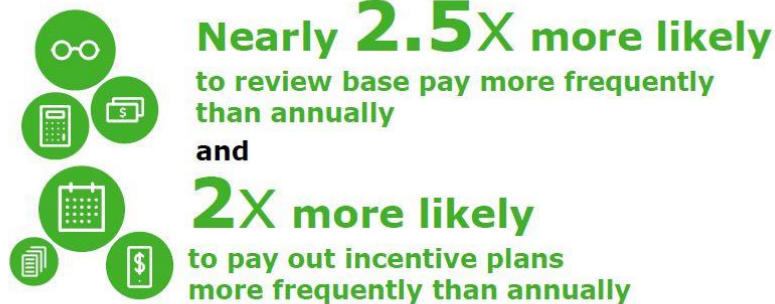


Source: WorldatWork

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Review and Pay Frequency

High-performing organizations are . . .



. . . than are low-performing organizations.

Source: Bersin, Deloitte Consulting LLP, 2018.

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Data Tells A Story

- Art & Science
- What is the right story for your business?
 - Articulate your compensation philosophy
 - Evangelize your compensation philosophy
 - Let managers manage
 - Provide training
- Who tells the story and when?
- Are managers capable of having effective conversations around compensation?

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Traditional Survey Data

PROS

- Proven methodology
- Safe harbor
- Trusted relationships
- Established data
- Run by compensation professionals
 - Strong story tellers
- Reliability
- Credibility
- Accuracy
- Defense from potential litigation

CONS

- Absence of emerging roles
- Time intensive
- Cumbersome
- HR reported data is sometimes aged from previous submissions
- Little has changed – lack of innovation
- Data lags market
- Lack of specificity
 - Tech and engineering

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Crowdsourced Data

PROS

- Immediate
- Frequently updated
- Leads to pay transparency conversations
- Employees know their “worth”
- Good source of data for gig economy and contractors

CONS

- Lack of data for senior roles or hourly/minimum wage roles
- Employee-reported / unverified
- Job titles are meaningless
- Inherent bias
 - Participants self-select in
- Too many variables
- Sample sizes not robust
- “The more questions you ask, the less information you get”
- “Hotdecking” datasets
- Payroll data is not compensation data
- Lack of international data

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Identifying Data Integrity Issues

- Data should be incumbent based, not based on averages
- Watch for mathematical violations
 - Percentile inconsistencies
 - Weighted averages vs. simple averages
- Review historical data
 - If 10% variance, question survey provider
- Sample size matters
 - 8 companies, 20 incumbents
- Data should be under 1 year old
 - Data over 2 years old should be cycled out

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Crowdsourced Compensation Data Examples

Software Engineer - Dallas, TX					
Yrs Experience	#1	#2	#3	#4	#5
15+	\$101,000	\$188,650	\$108,034	\$135,000	\$91,000
6-14 years	\$90,000	*	\$96,131	\$130,000	\$87,500
1-5 years	\$73,000	*	\$78,365	\$77,000	\$75,000
Entry	\$68,000	\$112,200	\$75,907	\$66,000	\$72,000
ALL	\$80,500	\$133,100	\$89,586	\$88,988	*
Sample Size	1,392	*	8,393	27	*

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Apples & Oranges – Percentiles & Experience

PERCENTILE	25 TH	50 TH (MIDPOINT)	75 TH	95 TH
Candidate Experience Level	Less experience than typical	Average experience	More experience than typical	Significant, highly relevant experience
Candidate Skills/ Expertise	Skills require development	Necessary skills to meet job requirements	Strong skill set; may include specialized certifications	High level of expertise, including specialized certifications
Job Complexity/ Duties	Role may be in an industry with low competition for talent or in a smaller, less complex organization or department	Role may be of average complexity or in an industry where competition for talent is moderate	Role may be fairly complex or in a fairly competitive industry for talent	Role may be highly complex and more strategic in nature than usual; may be in a highly competitive industry for talent

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Inherent Bias & Intent

- Leadership Skills:
 - 70% = Above average
 - 2% = Below average
- Interpersonal skills:
 - 25% = Top 1%
 - 60% = Top 10%
- College Professors:
 - 94% = Above Average
- Engineers at 2 companies:
 - 32% = Top 5%
 - 42% = Top 5%
- “Happy Bias”
- Personal agendas
 - Salary increases
 - Counter-offers
 - 6 month moratorium on ROI
- “Not even my driver’s license can be trusted...”

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Choosing & Using the Right Data

- Breadth of data
- Age of data
- Reliability
- Accuracy
- Credibility
- ADD CONTEXT
- Consider a Data Rating Scale
 - 1 – 20%
 - 2 – 40%
 - 3 – 60%
 - 4 – 80%
 - 5 – 100%

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Critical Questions

- Is the job description a good match for the benchmark role?
- How expansive is the dataset?
- Are you capturing the correct and accurate data?
 - Salary, variable, TCC, equity
 - Geographic, hot skill differentials
- How current is the data?
- Is a participant list readily available?
- Can you track the data over time?
- Can the survey provider describe their methodology?

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Key Take-Aways

- One size does not fit all
 - Job and data segmentation
 - Beware complexity
- Methodology matters
 - Can you defend your pay data and actions?
- Information vs. Insight
- Do not discount employees perspectives
- Educate, Educate, Educate
- Communicate, Communicate, Communicate

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Questions?

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